

ABD'S

Bull's Eye

BUSINESS STUDIES

“Mastering Business Case Studies”

(Understanding / Applying / Analysing and Evaluating Based Case Studies)

**Strictly According to latest Syllabus and Design of Question Paper
issued by the CBSE**

FOR CLASS - XII

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Preface

We are privileged to present before our esteemed readers the revised and enlarged edition of “**Bull’s Eye-Business Studies**” after significant appreciation of the initial edition.

The basic purpose of this book is to provide our budding business honchos, the understanding of various managerial concepts as well as an exposure to real life business situations through the medium of case studies. This book has been developed keeping in line with the demands of changed examination paper pattern introduced by C.B.S.E. Around 70% of the questions are understanding and application based and they no longer test the rote learning abilities of students.

This book provides students with the understanding of various managerial concepts, tools of analysis and their relevance to business decision making. The focus is on specific requirements for the students who are preparing for C.B.S.E. Board examinations. Beginning with the elementary conceptual knowledge of the chapters on business management, we have made a way to elaborate case studies, using simple terminology, with sufficient details about the mechanics of business management covering principles of management, marketing management, financial markets and consumer protection in the wake of Indian business environment.

Bull’s Eye-Business Studies, with a wide collection of **Multiple Choice Questions, Understanding, Applying, Analysing** and **Evaluating Case studies** will help students to build an extra edge in their confidence to successfully take on board examination in Business Studies and come out with flying colours.

We owe a big thanks to Mr. Sunil Handa, Chairman, Eklavya School, Ahmedabad and Mr. Rakesh Singh Tomar, Former Principal, Doha Indian Modern School, Qatar for being our inspiration and constant guiding force. We would like to extend special thanks to Dr. Anuradha Mehta, Mrs. Preeti Sangwan, Mrs. Renu Jain and Mrs. Bindu Sehgal for their wholehearted blessings and continued support in our academic endeavors.

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We would like to extend special thanks to Mr. H.N. Rao, Mr. Baiju KT, Mrs. Prapti Grover, Mrs. Seema Saxena, Mrs. Rashmi Kapur, Mr. Dharam Verma, Mr. Debashish Dey, Mr. A.K. Singh, Mr. Navin Verma, Mr. H. Virani, Ms. R. Kapoor, Mrs. Shilpi Arora, Mrs. Ritu Puri, Mrs. Shashi Dubey, Mrs. Navpreet Kaur, Ms. Alpa Gulati, Mrs. Harmeet Kaur, Mrs. Rachna Saluja, Mrs. Suman Lata, Mrs. Bhavna Kapoor, Mrs. Nidhi Dhingra, Mrs. Inderjeet Kaur, Ms. Smita Yadav, Nidhi Chaudhary – Bhilai, Mrs. Aradhana Sinha, Mrs. Kulmeet Kaur, Ms. Juhi Ahuja, Mrs. Nidhi Garg, Mrs. Nidhi Madan, Mrs. Leena Anand, Mrs. Amita Vohra, Dr. Krishan Kumar Tanwani, Ms. Pooja Dhyani, Mrs. Preeti, Mrs. Jyoti Gupta, Mrs. Vandana Agarwal, Mrs. Suchee Nindrajog, Mrs. Suchetna Pahwa, Mrs. Seema Sengar, Mrs. Meena Vats, Mr. Samson K.C., Mr. Anil Dabas, Dr. Rakesh Kumar Gupta, Mr. Sanjay Bhattacharya – Raipur, Mr. Vinod Kumar, Mr. Markandey Upadhyay, Mrs. Jyotsna, Mrs. Barkha Kaushik, Mrs. Mridula Chawla, Dr. Komal Kapoor and Mr. Aryaman Bhartia for their valuable feedback. These dynamic faculties have motivated us to come up with much more enriched version of this book.

We all know that there is always a scope for improvement, so we welcome your valuable suggestions to enhance the utility of the book and assure our readers that their suggestions, if found useful, would be incorporated in the subsequent edition, with due acknowledgment of their contribution.

We are also grateful to **Arya Book Depot, New Delhi** for reposing their faith in us in respect of this project, without which this would not have been possible.

– Authors

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Valuable Guidelines for the Students

- ❖ In the allotted reading time don't try to read all the questions. Read the six marks questions carefully. Plan and organise their answers in your mind.
- ❖ Do not change the order of questions while answering. Either start answering from question 1 and go to question 34 or start from question 34 and move to question 1.
- ❖ In case you are not sure about any answer, leave adequate space for it and attempt it later.
- ❖ Leave one line after every point in the answer and at least 2 lines between two answers, for questions carrying 1 or 3 marks. For question carrying 4, 5 or 6 marks always write a new answer from a new page.
- ❖ Always write your answers in points and not in a big paragraph.
- ❖ Best way to highlight is to leave a line after the heading or write the heading in capital.
- ❖ Usually all answers are to be written according to the marks *For example*, for 3 marks write 3 points with explanation. But wherever there isn't any explanation asked or is not given in the book, write double the number of points to be on the safer side.
- ❖ Draw line diagrams, flowcharts, and pictorial presentations, wherever possible.
- ❖ Avoid writing unnecessarily long answer just because you know it well. You don't get any extra marks by writing long answers but you would end up not having enough time to attempt the questions that you do know.
- ❖ Explanation of each point should not be more than 5 sentences.
- ❖ Where the number of points to be given are specifically mentioned in the question, give only those many points.
- ❖ In the questions where process is asked, follow the proper sequence.
- ❖ Always take the first sentence of your answer from the question itself for clarity.
- ❖ Attempt all questions. Write and explain whatever you know rather than leaving the question completely un-attempted.
- ❖ Give numerical examples whenever possible. (Especially in questions of Differential Piece Wage System, Trading on Equity etc.)
- ❖ Do write question number clearly and strictly tallying with the question paper.

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Nature and Significance of Management

Section - A (Chapter Synopsis)

1. Concept of Management:

According to Koontz and O'Donnell, *"Management is creating an internal environment of an enterprise where individuals working together in groups perform efficiently and effectively towards achievement of group goals."*

Management is a process of getting things done with the aim of achieving goals effectively and efficiently.

2. Characteristics of Management:

- **Goal oriented process:** Management is a goal oriented process, which is undertaken to achieve already specified and desired objectives by proper utilisation of available resources.
- **Pervasive:** Management is universal in nature. It is used in all types of organisations whether economic, social or political irrespective of its size, nature and location.
- **Multidimensional:** Management is multidimensional as it involves management of work, people and operations.
- **Continuous:** Management consists of a series of function to be performed by all managers simultaneously. The process of management continues till an organisation exists for attaining its objectives.
- **Group activity:** Management is a group activity since it involves managing and coordinating activities of different people as a team to attain the desired objectives.
- **Dynamic function:** Management is a dynamic function since it has to adapt according to needs, time and situation of the changing environment.
- **Intangible force:** Management is an intangible force as it can't be seen but its effects can be felt in the form of results like whether the objectives are met and whether people are motivated or not and there is orderliness and coordination in the work environment.

3. Importance of Management:

- **Management helps in achieving group goals:** The task of a manager is to give a common direction to the individual effort in achieving the overall goals of the organisation.
- **Management increases efficiency:** The aim of a manager is to reduce costs and increase productivity through better planning, organising, directing and controlling the activities of the organisation.
- **Management creates a dynamic organisation:** Environment is constantly changing. Individuals resist change as it often means moving from a familiar, secure environment into a newer and more challenging one. Management helps people to adapt to these changes so organisation can maintain its competitive edge.
- **Management helps in achieving personal objectives:** Through Motivation and leadership management helps individuals to develop team spirit, cooperation and commitment to group success, thereby achieving personal objectives.

- **Management helps in the development of society:** Management helps to provide good quality products and services, creates employment opportunities, adopts new technology for the greater good of the people and leads the path towards growth and development.

4. Management Objectives:

(a) Organisational Objectives:

- **Survival:** Ensure that the organisation survives and exists in the future.
- **Profit:** Earning adequate profit in order to survive and grow.
- **Growth:** Growth indicates how well it exploits the potential opportunities.

(b) Social Objectives:

- Providing quality products at reasonable rates.
- Generating employment opportunities.
- Community progress and development by providing schools and crèches to employees.
- Environment friendly method of production.

(c) Personal Objectives:

- Meeting the financial needs like competitive salaries and perks.
- Social and safety needs of the employee like peer recognition, self-respect and respect for colleagues.
- Higher level needs like implementation and monitoring of policies for personal growth and survival.
- Reconcile personal goals with organisational objectives for harmony in the organisation.

5. Levels of Management:

Top Level: Designations and Functions

- Comprises of CEO, Board of Directors, Managing Director and General Manager.
- Conceptualizing of organisational goal, policy and strategy formulation.
- Organising, Controlling and Monitoring activities and resources.
- Controlling the work performance.
- Approving Budgets.

Middle Level: Designations and Functions

- Comprises of Departmental, Sub-Departmental and Divisional Heads.
- Execution of plans, policies framed by top level management.
- Preparing organisational set up and appointing employees.
- Issuing instructions and motivating employees.
- Ensuring interdepartmental co-operation.

Lower Level: Designations and Functions

- Comprise of Supervisors, Foremen and Inspectors.
- Maintain moral, safety and discipline amongst the work force.
- Oversee the work of the workers.
- Forwarding suggestions and feedback to the top level managers.

6. Nature of management as science, art and profession:

Management as a science

- Systematised body of knowledge.
- Universal validity.
- Principles based on experimentation and observation.

As the principles of management are not as exact as the principles of pure science, so it may be called an inexact science. The prominence of human factor in the management makes it a social science.

Management as an art

- Existence of theoretical knowledge.
- Based on practice and creativity.
- Personalised application and skill.

Every manager has his own unique style of managing things and people. He uses his creativity in applying management techniques and his skills improve with regular application since all the features of art are present in management so it can be called an art.

Management as a profession

- Well defined body of knowledge.
- Existence of code of conduct.
- Professional association (AIMA).
- Restricted entry.
- Fees as remuneration for their services.

Management does not fulfill all the features of a profession and thus it is not a full fledged profession.

7. Co-ordination: According to Mooney, “Co-ordination may be defined as the orderly arrangement of group efforts to provide unity of action in pursuit of a common purpose.”

Characteristics of Coordination:

- Coordination integrates group efforts.
- Coordination ensures unity of action.
- Coordination is a continuous process.
- Coordination is an all pervasive function.
- Coordination is the responsibility of all managers.
- Coordination is a deliberate function.

Need for Coordination:

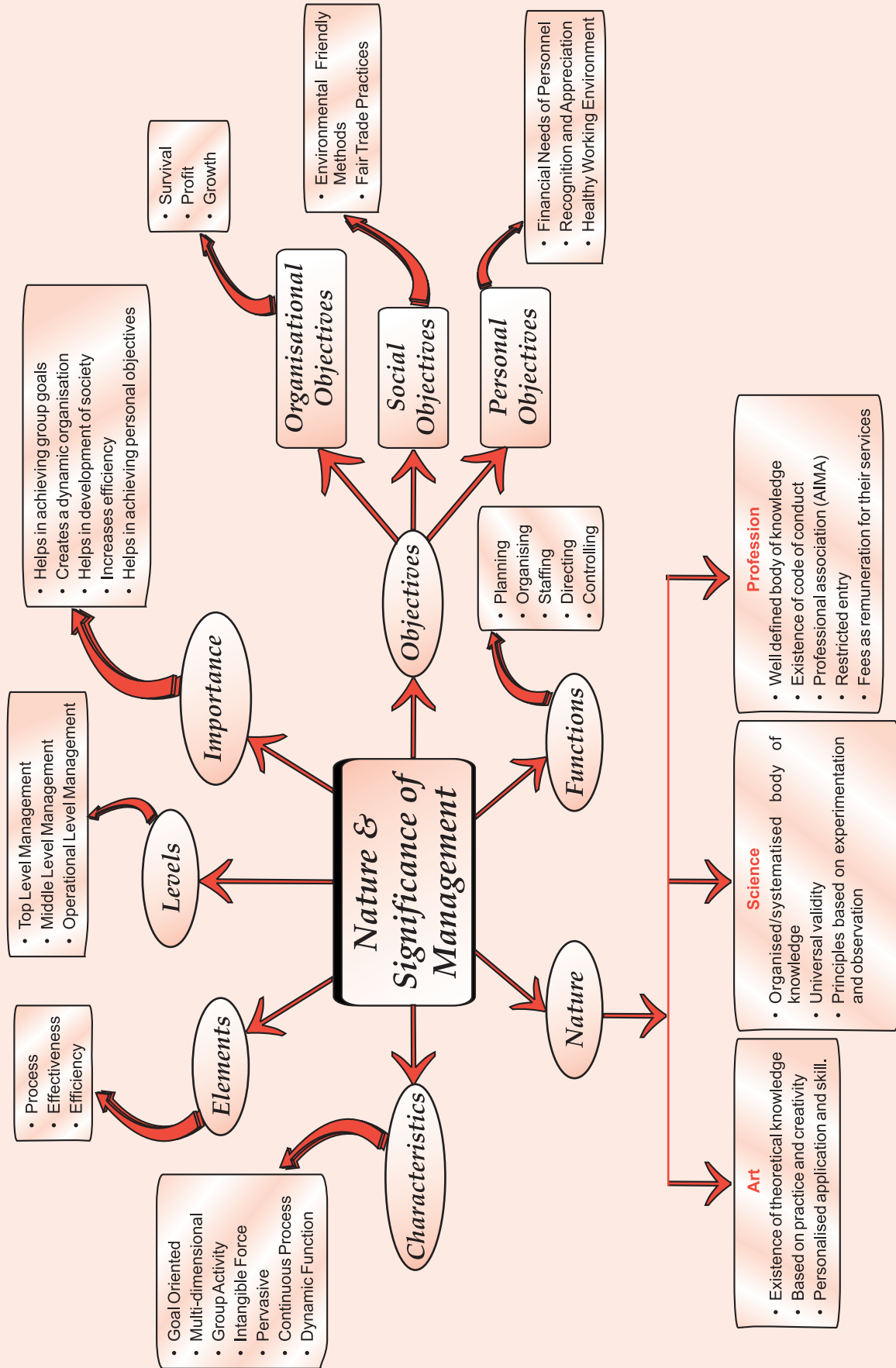
- Growth in size.
- Functional differentiation.
- Specialisation.

Identifying the Concepts

Concepts	Key Words/Phrases
• Management	Intangible/multidimensional.
• Effectiveness	Achieving targets.
• Efficiency	Reducing cost.
• Coordination	Essence of management.
• Coordination	Synchronisation of group efforts.
• Organisational Objectives	Growth and survival.
• Supervisory Level	Lower level management.

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Section - B [Mind Mapping Images (Associations of Ideas)]



Section - C (NCERT Case Studies)

CASELET 1: Company X is facing a lot of problems these days. It manufactures white goods like washing machines, microwave ovens, refrigerators and air conditioners. The company's margins are under pressure and the profits and market share are declining. The production department blames marketing for not meeting sales targets and marketing blames production department for producing goods, which are not of good quality for meeting customers' expectations. The finance department blames both production and marketing for declining return on investment and bad marketing.

- (a) Which quality of management do you think the company is lacking? Explain briefly.
- (b) What steps should the company management take to bring the company back on track?

Solution:

- (a) The company is lacking an important aspect of management that is Coordination. Here production department, marketing department and finance department are not working in unity for achieving the goals of the organisation due to which return on investment and market share is declining.
- (b) To bring company back on track, proper coordination should be ensured. Coordination will help in integrating activities of separate units of an organisation to accomplish the goals efficiently. Favourable environment should be created where departments instead of blaming each other can work in harmony with each other for improving the current situation of the company.

CASELET 2: A company wants to modify its existing product in the market due to decreasing sales. You can imagine any product about which you are familiar.

What decisions/steps should each level of management take to give effect to this decision?

Assuming that the company is in business of manufacturing pens. Due to strong competition the sales of my product are declining. I want to bring changes in my product design and other aspects.

Following decisions will be made by each management level for the same:

Top Level

- (i) Top level managers will work out the objectives, policies and plans for initiating the decision of bringing a change in the pens that we offer.
- (ii) They will work out the budget that would be needed to bring this decision into action.
- (iii) They will get in contact with the machinery suppliers, media and other experts needed.
- (iv) They will coordinate with departmental heads to finalise this decision.

Middle Level

- (i) Managers at this level would formulate plans and strategies to achieve the goals set by the top management to bring about changes in our product.

Section - D (CBSE Board's Previous Year's Case Studies)

CASELET 1: Volvo Limited's target is to produce 10,000 shirts per month at a cost of ₹ 100/- per shirt. The Production Manager achieved this target at a cost of ₹ 90/- per shirt. Do you think the Production Manager is effective?

Give one reason to support your answer.

(1 Mark) [CBSE, DELHI 2010]

SOLUTION: Yes, the production manager has proved effective. This is because effectiveness implies the ability to complete a task within the prescribed time limit. In the given situation, the production manager has achieved the production target of 10,000 shirts within a month.

CASELET 2: Hero Limited's target is to produce 10,000 shirts per month at a cost of ₹ 150 per shirt. The production manager could achieve this target at a cost of ₹ 160 per shirt. Do you think the production manager is effective?

Give reasons in support of your answer.

(1 Mark) [CBSE, OD 2010]

SOLUTION: Yes, the production manager is effective in his work as he was able to complete the assigned target on time. This is because effectiveness implies that the task is completed within the prescribed time limit.

CASELET 3: Your grandfather has retired as the director of a manufacturing company. At which level of management was he working? Different type of functions are performed at this levels. State one function.

(1 Mark) [CBSE, DELHI 2011]

SOLUTION: As director of a manufacturing company, he was working at the **Top Level of Management**. Of the various functions he would have performed, the most important would have been formulating the goals and policies of the organisation.

CASELET 4: 'Is Management concerned only with doing the right task, completing activities and achieving goals without taking into consideration the cost benefit?'

Give reason in support of your answer.

(1 Mark) [CBSE, FOREIGN 2016]

SOLUTION: No, management is not only concerned with doing the right task, completing activities and achieving goals (effectiveness), but it also has to take into consideration the cost benefit *i.e.*, doing the task correctly and with minimum cost (efficiency).

CASELET 5: Das is the Managing Director of 'Gamut Ltd.', manufacturing different varieties of cheese. He has an efficient team working under him consisting of Rajat – the Production Manager. Vinay – the Marketing Manager and Adit – the Finance Manager. They understand and interpret the policies made by Das, ensure that their departments have adequate manpower, assign them the necessary duties and motivate them to achieve the desired objectives.

State one more function other than those mentioned above, that this team may perform at the level they are working.

(1 Mark) [CBSE, OD 2019]

Solution: Das team members must cooperate with each other for smooth functioning of the organisation. At the same time his team members are responsible for all the activities of first line managers.

CASELET 6: Mita has a successful ice cream business at Bikaner, namely 'Smartflavours'. Her ice creams were utterly delicious. She makes ice creams from fresh milk and the same are available in a wide range of flavours and packs. She sets viable business objectives and works with the same in mind in order to ensure that the customers will come back for purchasing. Having the first mover advantage, her business was doing well. To earn higher profits, she started cutting costs. This would sometimes lead to delay in delivery and the ice creams was not reaching the market in time. Over a period of time, the demand for her ice-cream declined because of it the competitors entered the market. She lost some of her market share to competitors.

At the beginning of summer season, she got back to back orders for supply of 4,000 ice-cream packs of different flavours for special occasions. To ensure that the task was completed and orders delivered in time she hired additional workers. She was thus able to produce and deliver the ice-cream packs but at a high production cost. While that she was ignoring one of the important aspects of management.

Identify the aspects of management that has been ignored by Mita. Also explain the same with the help of an example. **(3 Marks) [CBSE, DELHI 2019]**

Solution: The aspects of management that has been ignored by Mita are:

- Efficiency means doing the task correctly and with minimum cost.
- Effectiveness in management is concerned with doing the right task, completing activities and achieving goals

For example, it is easier to be effective and ignore efficiency *i.e.*, complete the given task but at a high cost. Suppose, a company's target production is 5000 units in a year. To achieve this target the manager has to operate on double shifts due to power failure most of the time. The manager is able to produce 5000 units but at a higher production cost. In this case, the manager was effective but not so efficient, since for the same output, more inputs (labour cost, electricity costs) were used.

CASELET 7: 'Science is a systematised body of knowledge that explains certain general truths or the operation of general laws'. Based on the statement identify and state the characteristics of management that establish it as a science. **(4 Marks) [CBSE, OD COMPTT. 2016]**

Solution: The characteristics of management that establish it as a science are:

- (i) Like science, management is a systematic body of knowledge with its own theories and principles that have developed over a period of time. So, this feature of science is present in management.
- (ii) Like science, management principles are derived through observation and repeated experimentation. So, this feature of science is present in management. However, since management deals with human beings the outcome of these experiments are not capable of being accurately predicted.

Section - E (Test Your Knowledge Case Studies: Under./Apply./Analysing/Evaluating Questions)

CASELET 1: A.K. Steels Ltd. has decided to contribute to Swaach Bharat Abhiyan by installation of 200 dustbins in Raipur industrial area. Which objective of management is highlighted by this act of the company? **(1 Mark)**

SOLUTION: The **social objective of management** that is indicated in the given situation is concern for environment. The **social objective** of an organisation basically involves the creation of benefit and development of the society.

CASELET 2: Three teams of employees of Core Project Ltd. are working at different positions:

- (a) Team X is responsible for survival and growth of organisation. Team X continuously keeps a watch over the business environment with a view of coping with the changes in the business environment. Team X immediately discusses the change to be brought about in company's plan.
- (b) Team Y explains the policies of superiors to the employees and ensures a touch of cooperation among all the departments.
- (c) Team Z is responsible for maintaining quality and safety standards and minimize the wastage.

Identify the levels of management of Core Project Ltd. at which different teams are designated, by quoting relevant lines. **(3 Marks)**

SOLUTION:

- (a) **Top level of Management:** "Team X immediately discusses the change to be brought about in company's plans."
- (b) **Middle level of Management:** "Team Y explains the policies of superiors to the employees"
- (c) **Supervisory level/Lower level:** "Team Z is responsible for maintaining quality and safety standards and minimize the wastage."

CASELET 3: GenX Fashions is planning to launch casual wearline for college students in a year's time to extend its product line. At present the company has reduced the prices of its formal wear by 10% to retain its existing market share.

Giving suitable reasons, identify the objectives of management which GenX Fashions is fulfilling by undertaking such activities. **(3 Marks)**

SOLUTION: The main objectives which GenX Fashions is fulfilling by undertaking various activities are organisational objectives:

- (i) Growth - by launching a new product line.
- (ii) Survival - by reducing prices.

25. Which managerial function is concerned with assigning duties, grouping tasks and establishing reporting relationships?
 (a) Planning (b) Organising (c) Staffing (d) Directing
26. Which managerial function ensures that the right people with the right qualifications are available at the right place and time to accomplish the goals of the organisation:
 (a) Planning (b) Organising (c) Staffing (d) Directing
27. Which of the following statement is correct in respect of management as an art?
 (a) A good manager works through a combination of practice, creativity, imagination, initiative and innovation.
 (b) There is a lot of literature available in various areas of management like marketing, finance and human resources which the manager has to specialise in.
 (c) The basic purpose of manager is to help the organisation achieve its stated goal.
 (d) A manager applies this acquired knowledge in a personalised and skillful manner in the light of the realities of a given situation.
28. Following are the managerial functions against their respective aspects:
- | <i>Managerial functions</i> | <i>Aspects</i> |
|-----------------------------|-----------------|
| 1. Planning | (i) Deviations |
| 2. Staffing | (ii) Objectives |
| 3. Direction | (iii) Abilities |
| 4. Controlling | (iv) Leadership |
- Select the most appropriate combination:
- (a) 1. (iv); 2. (iii), 3. (ii), 4. (i) (b) 1. (iv); 2. (i), 3. (iii), 4. (ii)
 (c) 1. (ii); 2. (iii), 3. (iv), 4. (i) (d) 1. (iii); 2. (i), 3. (ii), 4. (iv)

ANSWERS

1. (c) 2. (c) 3. (d) 4. (a) 5. (b) 6. (a) 7. (a) 8. (a) 9. (b) 10. (b)
 11. (a) 12. (d) 13. (c) 14. (a) 15. (b) 16. (d) 17. (a) 18. (c) 19. (a) 20. (b)
 21. (d) 22. (a) 23. (c) 24. (c) 25. (b) 26. (c) 27. (c) 28. (c)

Section - G (Self-Evaluation Case Studies: Under./Apply./Analysing/Evaluating Questions)

CASELET 1: Prime Minister of India, launched the Swaachh Bharat Abhiyan and urged all the citizens and business organisations to actively support it. Keeping this in mind, Armour Helmets Pvt. Ltd. decided to contribute by installing 500 dustbins in and around major markets of the city.

Which objective of management is the company trying to fulfill by this act? (1 Mark)

HINT: Social Objective.

CASELET 2: Kitchening Enterprises, are producers of hand operated grinders. Now with a lot of women in the society going out for jobs there is a greater demand for a product which is more efficient and works at a great speed. On realising this change, the company decided to enter into the market for producing electronically operated mixers and grinders and food processors.

Which level of management will take this decision? (1 Mark)

HINT: Top level management.

CASELET 3: The production manager at Smart Laptops Ltd., was assigned a target of producing 5000 laptops in a month. He had 10 workers under him. Each of these workers was allotted the task of producing 500 laptops each. During the course of the month, due to severe cold, two workers feel sick. The other workers refused to divide their work amongst them and concentrated only on the production of their own individual targets of producing 500 laptops. Thus, at the end of the month the group target of 5000 laptops could not be met.

Which characteristic of management is being ignored in the above case? (1 Mark)

HINT: Management is a group activity.

CASELET 4: Management of Supremo Tanks Pvt. Ltd., has installed solar panels for generating electricity to run the machines and equipments in their premises.

Which objective of management is being fulfilled by this act? (1 Mark)

HINT: Social Objective: Conservation of electricity.

CASELET 5: "The activities involved in managing an enterprise are common to all organisations whether economic, social or political."

Which characteristic of management is highlighted by this statement? (1 Mark)

HINT: Management is pervasive.

CASELET 6: "In order to be successful an organisation must change its goals according to the need of the environment."

Which characteristic of management is highlighted in the statement? (1 Mark)

HINT: Management is a dynamic function.

CASELET 7: A company's target production is 5000 units in a year, to achieve this target the manager has to operate in double shifts due to power failure. The manager is able to meet the target but at a higher production cost.

Is the manager efficient or effective? (1 Mark)

HINT: He is effective but not efficient.